FINANCIAL STATEMENTS

1989

THE MUNICIPALITY OF METROPOLITAN TORONTO · 1953 ·

90-07066/

Compiled by:

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Director of Financial Services and Deputy Treasurer

The Chairman and Members
of the Council
of the Municipality of Metropolitan Toronto

FINANCIAL STATEMENTS 1989

INTRODUCTORY

I am pleased to present the Financial Statements of the Municipality of Metropolitan Toronto for the year ended December 31, 1989. These statements reflect the operations of the Municipality which are not consolidated with its local boards and municipal enterprises. A comprehensive consolidated financial overview will be included as part of the subsequent Annual Report for fiscal 1989. In the meantime I have commented in some detail on the 1989 financial results with a view to providing an overview of 1989 fiscal activity.

Also presented herein are the Financial Statements of the Metropolitan Waterworks System, a municipal enterprise of the Metropolitan Corporation.

CURRENT OPERATIONS

The current fund surplus recorded by the Metropolitan Corporation in 1989, in excess of $55 million, represented the 36th consecutive annual surplus and is attributable to a number of circumstances, the more significant being detailed below:

(a) underexpenditure in transit operating costs as a result of the seven-week union job-action, although this is somewhat offset by a shortfall in fare box revenue as a result of reduced ridership;
(b) higher than budgeted revenues from landfill operations resulting from an increase in the volume of private waste;
(c) underexpenditure in hostel operations pursuant to the deferral into 1990 of purchased hostel services;
(d) lower than budgeted costs of snow removal and surface and winter maintenance of metropolitan roads;
(e) a significant increase in unallocated corporate revenue primarily related to the metropolitan share of supplementary taxes levies by the area municipalities and corporate interest earnings;
(f) a substantial unutilized balance in the general corporate contingency appropriation.

Operating expenditures

In 1989, total gross operating expenditures amounted to $2,058,342,000 as compared with total gross operating expenditures of $1,808,781,000 in 1988, an increase of 13.8%.

dollars in thousands

	1989 Actual	%	1988 Actual	%
General government	$ 154,724	8	$ 135,292	8
Protection to persons and property	475,816	23	439,767	24
Transportation services	280,183	13	269,238	15
Environmental services	295,879	14	224,782	12
Health services	60,283	3	55,062	3
Social and family services	681,984	33	581,240	32
Recreation and cultural services	94,400	5	90,293	5
Planning and development	15,073	1	13,107	1
	$ 2,058,342	100	$ 1,808,781	100

General government

Expenditures during 1989 include those for the first full-time, directly-elected Council that took office in December of 1988 and provision for all associated costs and increased staff, particularly in the Clerk's department.

Protection to persons and property

The 1989 expenditures reflect the full year's cost of staffing increases in the Metropolitan Police Force, approved by Council in December, 1988, particularly for the doubling in size of the Anti-Drug Squad.

Transportation services

The Toronto Transit Commission undertook significant service expansion in its Wheel Trans operation in 1989 to enhance mobility for the disadvantaged residents of the municipality. In addition, the Commission's 1989 outlays include provision for service enhancements and increased ridership.

Environmental services

Major recycling initiatives were undertaken in 1989 as well as increased outlays in respect to the management of water pollution control programs.

Social and family services

During 1989, there were significant increases in General Welfare Assistance expenditures due to increased costs per case, substantial increases in Special Assistance and greater caseload growth, primarily in the refugee claimant category. Additional care was required for elderly residents in the Corporation's Homes for the Aged, and funding was provided for a full year's cost of day care spaces created during 1988.

Operating revenues

In 1989, total operating revenues amounted to $2,080,338,000 as compared with total operating revenues of $1,784,232,000 in 1988, an increase of 16.6%.

dollars in thousands

	1989 Actual	1989 %	1988 Actual	1988 %
Taxation - (Levy on area municipalities, supplementary taxes)	**$ 882,115**	**42**	$ 763,301	43
Ontario grants	**721,236**	**35**	646,437	36
User charges	**337,255**	**16**	256,869	14
Other revenue	**139,732**	**7**	117,625	7
	$ 2,080,338	**100**	$ 1,784,232	100

Taxation

The general tax levy on Metropolitan Toronto's six constituent area municipalities increased 14.7% over 1988. The rate of growth in the assessment upon which the Metropolitan levy is based was 2.1% in 1989, a decline from 2.3% in 1988. Revenue from taxation in 1989 includes $28,531,000 received for supplementary taxes levied during the year (1988 - $21,128,000).

Ontario grants

The total amount of provincial financial assistance (both conditional and unconditional grants) received during 1989 was $721,236,000, an increase of $74,799,000 or 11.6% over 1988. Since unconditional grant funding was frozen by the Province for the fiscal year 1989, this increase is totally attributable to conditional grants. Provincial funding, as a percentage of gross operating expenditures, declined from 35.7% in 1988 to 35.0% in 1989.

User charges

The substantial increase in revenue in this category in 1989 is primarily due to the increased tipping fees at landfill sites and transfer stations. Also, in line with Council's goal of having the total water system (water purification and supply and sewage treatment) completely self-financing, the sewer surcharge rate increase in 1989 also contributed to the increased user charge revenue. For all other items of revenue, Council's general policy is to increase user fees by the rate of inflation in the current year and, accordingly, any increases beyond that rate are primarily volume driven.

Other revenue

The increased rates for parking violation fines approved during 1988 were in effect for the entire 1989 fiscal year, accounting for the major portion of the increase in this category.

CAPITAL OPERATIONS

Gross capital expenditure in 1989 amounted to $370,633,000, an increase of 2% compared with 1988. Of this sum, $107,244,000, or 29%, was spent on expansion and improvements to the transit system, while sewage and refuse disposal capital expenditure, at $104,472,000, accounted for 28%. Capital expenditures incurred for the purposes of the Metropolitan Police Commission totalled $22,231,000 (6%) while ongoing capital costs in respect of Metro Hall, the new headquarters of the Metropolitan Corporation, amounted to $12,739,000 (4%).

During 1989, construction continued on the 2.13 km., $58.3 million Harbourfront Light Rail Transit Line which is the first new streetcar line to be built in the City of Toronto in more than 60 years. Also, an environmental assessment process began for a 2 km. rapid transit extension line to Sheppard Avenue from Wilson Station on the Spadina subway line, the first link of a rapid transit system to serve northern Metropolitan Toronto.

Total financing of capital expenditures during 1989 amounted to $439,236,000, comprised principally of provincial capital grants of $116,475,000 (27%), contributions from reserves and reserve funds of $103,765,000 (24%), contributions from current funds of $89,628,000 (20%) and long term debt incurred of $78,126,000 (18%). Other miscellaneous sources of capital financing, such as proceeds from the sale of capital assets and sundry capital contributions and recoveries totalled $38,182,000 (8%) while excess sinking fund investment earnings on matured debenture debt amounted to $13,060,000 (3%).

LONG RANGE CAPITAL AND FINANCIAL PLANNING

In 1985, Metropolitan Council approved a ten-year plan of capital expenditure and associated debt management guidelines. This followed a comprehensive financial planning study which identified measures to control the Corporation's capital expenditures and debt servicing charges within limits to achieve multi-year financial targets established by Council. Adherence to this plan has enabled Metro to succeed in managing a substantial capital expenditure program in a planned fashion and, at the same time, to maintain a responsible debt load and the highest credit rating available.

In 1989, the new directly-elected Metropolitan Council reaffirmed its three criteria for the management of debt in the Metropolitan Corporation, namely:

- debt charges should average no more than 15% of the levy;
- the percentage of net capital expenditure to be raised annually in the levy should be no more than 50% of the financing required; and
- the mill rate should increase each year by no more than the estimated inflation rate within the economy as measured by the Consumer Price Index in the absence of significant expansion of existing programs or the introduction of new programs.

In order to meet increasing demands for infrastructure replacement, the Metropolitan Council has an aggressive five-year program of capital spending. Recent moves by the province towards fiscal retrenchment have taken the form of reductions in the allocation of total available capital subsidy dollars to municipalities and the imposition of a cap on the upper limits of subsidizable expenditures. Lack of adequate provincial funding will require either the curtailment of planned capital spending or possibly a review of the present debt management policy guidelines.

DEBT STRUCTURE

The net long term liabilities outstanding of Metropolitan Toronto over the last six years for its own general municipal activities and municipal enterprises (exclusive of the Area Municipalities) are detailed below. Net long term liabilities for general municipal purposes are expressed on a per capita basis and as a percentage of taxable assessment.

dollars in thousands, except per capita figures

	General Municipal Activities	Per Capita	Percentage of Taxable Assessment	Municipal Enterprises
1984	$424,222	$199	5.3	$108,171
1985	399,111	186	4.9	97,590
1986	408,783	192	5.0	83,296
1987	443,104	208	5.3	68,047
1988	405,040	190	4.7	52,821
1989	**423,189**	**198**	**4.8**	**42,524**

Metro Council's capital financing policy involving a "pay-as-you-go" annual provision of about 50% of capital borrowing requirements has been one of the most significant contributing factors in the stabilization of the Corporation's long term debt.

DEBT SERVICING

During the past six years, debt service charges for the general municipal purposes of the Metropolitan Corporation, as a percentage of the annual general tax levy on Metropolitan taxpayers, have declined from 15.1% to 12.4% and as a percentage of total operating expenditure from 7.5% to 5.3% as shown by the following tables:

dollars in thousands

	Debt Charges	General Tax Levy	Percentage
1984	$ 91,797	$ 606,231	15.1
1985	93,936	635,820	14.8
1986	93,810	674,474	13.9
1987	98,695	726,707	13.6
1988	106,341	763,301	13.9
1989	**109,503**	**882,115**	**12.4**

dollars in thousands

	Debt Charges	Total Operating Expenditure	Percentage
1984	$ 91,797	$ 1,219,647	7.5
1985	93,936	1,310,864	7.2
1986	93,810	1,402,540	6.7
1987	98,695	1,560,063	6.3
1988	106,341	1,808,781	5.9
1989	**109,503**	**2,058,342**	**5.3**

RESERVES AND RESERVE FUNDS

The year end balances of Reserves and Reserve Funds of the Municipality for the last six years is related to total operating expenditures below:

dollars in thousands

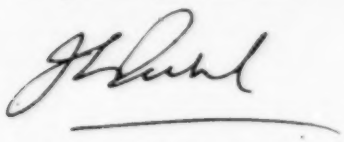
	Reserves and Reserve Funds	Total Operating Expenditures	Percentage
1984	$ 72,336	$ 1,219,647	5.9
1985	72,020	1,310,864	5.5
1986	104,876	1,402,540	7.5
1987	146,902	1,560,063	9.4
1988	238,130	1,808,781	13.2
1989	**294,269**	**2,058,342**	**14.3**

The increase in the reserves and reserve funds during the year is primarily due to the increase in funds set aside for the financing of additional refuse disposal capacity in the future.

CONCLUSION

The Municipality of Metropolitan Toronto continues to pursue fiscal strategies geared to long term stability and the effective utilization of limited resources. Metro Council initiated a strategic planning process in 1989 designed to achieve a better focus on Metropolitan Toronto's complex urban issues and assist both Council members and senior staff in guiding a future course for Metropolitan Toronto.

Respectfully submitted,



John L. Pickard, B. Com., FCA
Commissioner of Finance and Treasurer

July 31, 1990

MUNICIPALITY OF METROPOLITAN TORONTO

SIX-YEAR FINANCIAL REVIEW

not subject to audit

		1989	1988
Statistics	Population at the end of the year	2,133,459*	2,133,459
	Area in acres at the end of the year	154,584	154,584
	Employees - continuous full time	16,225	15,514
	- part time	2,942	2,825
Assessment	Taxable assessment upon which the year's rates of taxation were set		
	Residential and farm	$4,125,461	$4,069,523
	Commercial and industrial	4,627,743	4,499,882
		$8,753,204	$8,569,405
	Per capita	$ 4,103	$ 4,017
	Commercial and industrial, and business as a percentage of taxable assessment	52.9%	52.5%
Current Operations	Revenue for general municipal services		
	Taxation - (Levy on area municipalities, supplementary taxes)	$ 882,115	$763,301
	Ontario grants	721,236	646,437
	Other grants	4,248	3,666
	User charges	337,255	256,869
	Other revenue	135,484	113,959
		$2,080,338	$1,784,232
	Expenditure - general municipal	$2,058,342	$1,808,781
	Transfers to the school boards	$1,633,238	$1,379,891
	Accumulated net revenue at end of year	$ 55,160	$ 33,164

*Best available information at time of print

dollars in thousands except per capita figures			
1987	1986	1985	1984
2,125,520	2,130,983	2,145,900	2,131,942
154,584	154,584	154,584	154,584
14,826	14,694	14,266	14,325
2,701	2,259	1,688	1,358
$4,026,592	$3,935,859	$3,930,227	$3,892,227
4,350,649	4,315,798	4,211,612	4,133,651
$8,377,241	$8,251,657	$8,141,839	$8,025,878
$ 3,941	$ 3,872	$ 3,794	$ 3,765
51.9%	52.3%	51.7%	51.5%
$ 726,707	$ 674,474	$ 635,820	$ 606,231
576,765	507,980	459,057	425,253
1,883	1,500	949	2,442
192,857	170,927	147,627	124,979
66,938	62,476	69,739	56,894
$1,565,150	$1,417,357	$1,313,192	$1,215,799
$1,560,063	$1,402,540	$1,310,864	$1,219,647
$1,299,401	$1,297,950	$1,184,910	$1,079,304
$ 57,713	$ 52,626	$ 37,809	$ 35,481

MUNICIPALITY OF METROPOLITAN TORONTO

SIX-YEAR FINANCIAL REVIEW (continued)

not subject to audit

		1989	1988
Net Long Term Liabilities	General municipal activities	$ 423,189	$ 405,040
	Per capita	$ 198	$ 190
	Percentage of taxable assessment	4.8%	4.7%
	Municipal enterprises	$ 42,524	$ 52,821
	Charges for net long term liabilities		
	General municipal activities	$ 109,503	$ 106,341
	Per capita	$ 51	$ 50
Capital Operations	Capital financing during the year		
	Contributions from own funds	$ 193,393	$ 110,590
	Long term liabilities incurred	78,126	32,400
	Ontario grants	116,475	117,536
	Other	51,242	25,514
		$ 439,236	$ 286,040
	Capital expenditure during the year	$ 370,633	$ 364,914
Reserves and Reserve Funds	Balance at end of year	$ 294,269	$ 238,130

dollars in thousands except per capita figures

1987	1986	1985	1984
$ 443,104	$ 408,783	$ 399,111	$ 424,222
$ 208	$ 192	$ 186	$ 199
5.3%	5.0%	4.9%	5.3%
$ 68,047	$ 83,296	$ 97,590	$ 108,171
$ 98,695	$ 93,810	$ 93,936	$ 91,797
$ 46	$ 44	$ 44	$ 43
$ 85,197	$ 83,472	$ 70,574	$ 55,523
91,048	64,243	11,645	18,901
128,235	144,138	141,394	122,869
25,607	20,063	20,649	22,549
$ 330,087	$ 311,916	$ 244,262	$ 219,842
$ 294,901	$ 323,285	$ 268,466	$ 228,326
$ 146,902	$ 104,876	$ 72,020	$ 72,336

MUNICIPALITY OF
METROPOLITAN TORONTO

1989

The Municipality of
Metropolitan Toronto

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Allan G. Andrews, C.A., *Metropolitan Auditor*

April 30, 1990

AUDITOR'S REPORT

**The Chairman and Members of the
Metropolitan Council of the
Municipality of Metropolitan Toronto**

I have examined the balance sheet of the Municipality of Metropolitan Toronto as at December 31, 1989 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Municipality as at December 31, 1989 and the results of its operations for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities applied on a basis consistent with that of the preceding year.

METROPOLITAN AUDITOR

MUNICIPALITY OF METROPOLITAN TORONTO

BALANCE SHEET
December 31, 1989

ASSETS	1989	1988
Unrestricted		
Investments (note 3)	$ 191,472	$ 125,592
Accounts receivable (note 4)	258,977	274,993
Inventory	5,478	4,119
Prepaid expenses	22,212	21,205
Long term receivables	4,784	3,340
	482,923	429,249
Restricted (note 10)		
Cash	700	768
Investments (note 3)	255,830	163,556
Accounts receivable	4,585	4,730
Other current assets	514	319
	261,629	169,373
Capital outlay financed by long term liabilities and to be recovered in future years	423,189	405,040
	$1,167,741	$1,003,662

dollars in thousands

LIABILITIES AND FUND BALANCES	1989	1988
Current liabilities		
Temporary loans	$ 24,950	$ 7,548
Accounts payable and accrued liabilities	351,954	375,286
Other current liabilities (note 4)	22,102	16,980
	399,006	399,814
Net long term liabilities (note 7)	423,189	405,040
Fund balances at end of year		
To be used to offset taxation in the following year (note 9)	55,160	33,164
Capital operations not yet permanently financed (note 9)	(3,883)	(72,486)
Reserves (note 10)	53,758	50,027
Reserve funds (note 10)	240,511	188,103
	$1,167,741	$1,003,662

MUNICIPALITY OF METROPOLITAN TORONTO

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1989

SOURCES OF FINANCING	1989	1988
Taxation and user charges		
Requisition on local municipalities	$2,515,353	$2,143,192
Less school board requisition	(1,633,238)	(1,379,891)
User charges	337,255	256,907
Grants		
Government of Canada	10,712	5,482
Province of Ontario	837,711	763,973
Other Municipalities	3,565	2,607
Other		
Investment income	48,760	30,964
Sale of land	16,194	5,217
Fines	52,992	42,730
Other	52,387	52,073
Proceeds from the issue of long term liabilities	77,133	32,107
Municipal fund balances at beginning of year (note 9)		
To be used to offset taxation in the current year	33,164	57,713
(Capital operations not yet permanently financed) Unexpended capital financing	(72,486)	6,388
Total financing available during the year	$2,279,502	$2,019,462

see accompanying notes

dollars in thousands

APPLIED TO	1989	1988
Current operations (note 8)		
General government	$ 112,860	$ 81,775
Protection to persons and property	450,603	415,224
Transportation services	256,210	245,588
Environmental services	162,827	147,049
Health services	53,597	49,437
Social and family services	672,560	574,928
Recreation and cultural services	78,962	76,036
Planning and development	14,827	12,898
	1,802,446	1,602,935
Capital operations		
General government	19,236	60,763
Protection to persons and property	28,041	31,661
Transportation services	173,927	154,348
Environmental services	104,086	76,727
Health services	6,298	6,408
Social and family services	15,183	15,348
Recreation and cultural services	22,726	19,167
Planning and development	143	199
	369,640	364,621
Net appropriations to reserves and reserve funds	56,139	91,228
Municipal fund balances at end of year (note 9)		
To be used to offset taxation in the following year	55,160	33,164
(Capital operations not yet permanently financed)	(3,883)	(72,486)
Total applications during the year	$2,279,502	$2,019,462

MUNICIPALITY OF METROPOLITAN TORONTO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

1. ACCOUNTING POLICIES

The financial statements of the Corporation of the Municipality of Metropolitan Toronto are the representations of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs.

(a) Basis of Statement Presentation

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserves and reserve funds of the Municipality, including the Metropolitan Board of Commissioners of Police and the Metropolitan Licensing Commission.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

The following entities are not consolidated:

Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Toronto Transit Commission
Gray Coach Lines, Limited
Board of Governors of Exhibition Place
Board of Management of the O'Keefe Centre
Board of Management of the Metropolitan Toronto Zoo
Board of Management of the Guild
Metropolitan Toronto Housing Company Limited
Metropolitan Toronto Housing Development Corporation
Metropolitan Toronto School Board

The Statement of Operations reflects the Metropolitan Toronto Education Levy requisitioned upon the Metropolitan Toronto area municipalities and the subsequent transfer thereof to the Metropolitan Toronto School Board.

Trust funds and their related operations administered by the municipality are not consolidated but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

(b) Basis of Accounting

(i) Revenue and expenditure recognition

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Charges for long term liabilities

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they are paid.

(iii) Fixed assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Statement of Operations in the year of acquisition.

(iv) Capital outlay financed by long term liabilities and to be recovered in future years

"Capital outlay financed by long term liabilities and to be recovered in future years", as reported on the Balance Sheet, represents the sum of the outstanding principal portion of unmatured long term liabilities for municipal expenditures and the long term obligations arising out of capital leases entered into by the municipality.

(v) Liabilities payable in foreign currencies

Long term debt payable in foreign currencies has been translated into Canadian funds at the exchange rate prevailing at December 31, 1989.

(vi) Inventories

Inventories are valued at average cost.

2. TRUST FUNDS

Trust funds administered by the Municipality amounting to approximately $33,000,000 (1988 - $88,000,000) have not been included in the Balance Sheet nor have their operations been included in the Statement of Operations.

3. INVESTMENTS

The unrestricted investments of $191,472,000 (1988 - $125,592,000) and restricted investments of $255,830,000 (1988 - $163,556,000) are reported on the Balance Sheet at cost. The market value of these investments at the end of the year approximates cost.

4. SINKING FUNDS SURPLUS MONIES

The Sinking fund balances reflected in the value of net long term liabilities at the end of the year do not include specific accumulations at that date in excess of the total related debt. These accumulations amounting to $18,154,000 in 1989 (1988 - $13,264,000) are subject to a decision of The Metropolitan Council as to their use for either capital or current purposes. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Balance Sheet under "Other Current Liabilities".

5. PENSION AGREEMENTS

(a) Ontario Municipal Employees Retirement Fund

The Municipality contributes to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of approximately 13,400 members (83%) of its staff. This plan is a defined benefit plan and specifies the amount of the retirement benefit to be received by the employees based on length of service and final average earnings.

The amount contributed to OMERS for current service in 1989 was $29,978,000 (1988 - $26,680,000) and is included as an expenditure on the Statement of Operations.

The latest actuarial valuation conducted at January 1, 1989, indicates that OMERS is in sound financial condition and that current member and employer contribution rates appear sufficient to fund future benefits.

(b) Other Pension Plans

The Municipality of Metropolitan Toronto is a member in a number of other pension plans. These plans provide pensions based on length of service and final average earnings.

The amount contributed to these plans for current service in 1989 was $6,099,000 (1988 - $6,406,000) and is included as an expenditure on the Statement of Operations.

Actuarial estimates indicate that, based on projections of employees' compensation levels to time of retirement, the present value of the unfunded obligations for pension benefits relating to past service was $21,720,000 as at December 31, 1989 (1988 - $31,511,000). This balance is being funded and charged to operations as follows:

	dollars in thousands
1990 to 1992	$14,778
1993 to 1994	6,942
	$21,720

No provision has been made in the accounts for this obligation and the expense is recorded as funded annually. Expenditure for past service of $6,278,000 was made in 1989 (1988 - $6,278,000) and is reported on the Statement of Operations.

6. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the employment of the Municipality. In order to provide for this past service liability the Municipality has established a Corporate Sick Pay Reserve Fund. The following local boards and municipal enterprises also participate in this reserve fund:

Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Board of Governors of Exhibition Place
Board of Management of the Metropolitan Toronto Zoo
Metropolitan Toronto Housing Company Limited

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to $104,055,000 (1988 - $96,505,000) at the end of the year.

Contributions to the Corporate Sick Pay Reserve Fund are based on amounts deemed to be sufficient to provide for anticipated payments over a given period of time, and over the next nine years, will be as follows:

	dollars in thousands		
	1990 to 1992	1993 to 1995	1996 to 1998
Municipality	$15,757	$15,757	$15,757
Other participants	1,077	1,077	1,077

During 1989, the contributions to the reserve fund by the Municipality and other participants amounted to $3,697,000 and $268,000 respectively. At December 31, 1989, the balance of the Corporate Sick Pay Reserve Fund was $9,752,000 (1988 - $11,241,000).

Anticipated payment over the next five years to employees of the Municipality and its participating local boards and municipal enterprises who are eligible to retire are as follows:

	dollars in thousands				
	1990	1991	1992	1993	1994
Municipality	$ 5,574	$ 5,652	$ 6,197	$ 6,462	$ 6,778
Other participants	370	373	397	429	475

7. NET LONG TERM LIABILITIES

(a) The net long term liabilities reported on the Balance Sheet are made up of the following:

	dollars in thousands	
	1989	1988
Total long term liabilities incurred by the Municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	$1,368,080	$1,266,300
In addition, the Municipality has assumed responsibility for the payment of principal and interest charges on certain long term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is	338	413
Capital leases	2,281	4,058
Long term interest free loan payable to the Province of Ontario	2,681	4,199
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by school boards, other municipalities, municipal enterprises and by the Province of Ontario. At the end of the year, the outstanding principal amount of this liability is	(589,635)	(531,488)
The total value of sinking funds and the balance in the Ministry of the Environment Debt Retirement Fund which have been accumulated to the end of the year to retire the outstanding long term liabilities included above amount to	(360,556)	(338,442)
Net long term liabilities	$ 423,189	$ 405,040

(b) Net long term liabilities - future redemption

Of the net long term liabilities reported in (a) of this note, $185,233,000 in principal payments are payable from 1990 to 1994, $96,081,000 from 1995 to 1999, and $1,068,000 thereafter.

The difference between the total of principal redemption indicated above ($282,382,000) and the total of net long term liabilities reported in note 7 (a) ($423,189,000) is related to the following two factors:

(i) Long term liabilities payable in U.S. funds reported in note (a) have been translated into Canadian funds at the exchange rate prevailing at December 31, 1989, whereas the projections of principal redemption above are based on $1 US = $1 Canadian.

(ii) The projections of principal redemption indicated above are based on the premise that actuarial sinking fund deposits (in respect of sinking fund debentures) will earn interest, capitalized yearly thereon, at a rate not exceeding 8% and which will be sufficient to repay such debentures in full at maturity.

(c) Translation of net long term liabilities payable in foreign currencies

Included in "Net long term liabilities" on the Balance Sheet and translated into Canadian funds at the rate of exchange prevailing at December 31, 1989 is an amount of US$63,555,000 (1988 - US$77,949,000), the translated value of which amounts to Cndn$73,585,000 (1988 - Cndn$92,954,000).

(d) Ontario Municipal Board

Approval of the Ontario Municipal Board has been obtained for the debenture debt reported in (a) of this note issued in the name of the Municipality.

(e) Long term liabilities incurred on behalf of area municipalities, municipal enterprises, school boards and the Province of Ontario

The Municipality is contingently liable for long term liabilities for which the responsibility for the payment of principal and interest has been assumed by its area municipalities, municipal enterprises, school boards and the Province of Ontario. The total amount outstanding as at December 31, 1989 is $589,635,000 (1988 - $531,488,000) and is not recorded on the Balance Sheet.

8. CHARGES FOR NET LONG TERM LIABILITIES

Total charges for the year for net long term liabilities which are reported on the Statement of Operations are as follows:

	dollars in thousands	
	1989	1988
Principal payments including contributions to sinking funds and the Ministry of the Environment Debt Retirement Fund	$ 36,781	$ 37,505
Interest	72,722	68,836
	$ 109,503	$ 106,341

The charges for long term liabilities assumed by the area municipalities, school boards and the Province of Ontario are not reflected in these statements.

9. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

The balances on the Statement of Operations of municipal equity (deficit) at the end of the year consist of the following:

	dollarss in thousands	
	1989	1988
For general reduction of taxation	$ 55,160	$ 33,164
Acquisition of fixed assets to be recovered through taxation	(45,059)	(69,309)
Acquisition of fixed assets to be financed from the proceeds of long term liabilities	(45,059)	(69,309)
Funds available for the acquisition of fixed assets	86,235	66,132
	$ 51,277	$ (39,322)

Approval of the Ontario Municipal Board has been obtained for the pending issues of long term liabilities.

10. RESERVES AND RESERVE FUNDS

(a) The total balances of reserves and reserve funds are made up of the following:

	dollars in thousands	
	1989	1988
Reserves set aside for specific purposes by Council		
Contingencies	$ 29,338	$ 30,347
Replacement of equipment	7,722	4,739
Debenture repayment	4,840	4,840
Sick pay benefits	4,726	4,117
Exchange stabilization	4,360	4,360
Parks and recreation program facilities	1,298	1,000
Refuse disposal purposes	712	430
Other	762	194
	53,758	50,027
Reserve funds set aside for specific purposes by Council		
Refuse disposal purposes	140,348	43,224
Pollution control	29,466	44,118
Insurance	21,766	22,204
Employee benefits, other than sick pay	12,879	9,715
Metro Hall	11,301	43,905
Sick pay benefits	9,752	11,241
Property settlement	9,631	8,674
Parks and recreation program facilities	4,737	4,183
Other	474	691
	240,354	187,955
Reserve funds set aside for specific purposes by legislation, regulation or agreement		
Lakeview Sewage Treatment Plant Contingency	157	148
	240,511	188,103
	$294,269	$238,130

(b) The assets and liabilities of the Reserve Funds are as follows:

	dollars in thousands	
	1989	1988
Restricted Assets per the Balance Sheet	$261,629	$169,373
Receivable from the Revenue Fund (eliminated on Balance Sheet)	31,026	27,238
	292,655	196,611
Less: Accounts Payable	52,144	8,508
Fund Balance	$240,511	$188,103

11. PUBLIC LIABILITY INSURANCE

The Municipality has established an Insurance Reserve Fund to meet the deductible provisions of insurance policies, to provide for premiums in respect of external insurance coverage and for the financing of losses in excess of external coverage. The metropolitan departments and the various participating local boards, commissions and agencies make annual contributions to the Insurance Reserve Fund on a predetermined basis which takes into account, among other things, the most recent claims experience.

Based upon an actuarial review, provision has been made in the accounts for reported claims, although the fund remains contingently liable for claims incurred but not reported. The balance of the insurance reserve fund is considered adequate for its purpose and is, in any event, subject to ongoing review.

12. CONTRACTUAL OBLIGATIONS

The Metropolitan Council, in 1988, approved capital expenditures in the sum of $210,760,000 for the construction of Metro Hall, a distinct and identifiable headquarters for the Metropolitan Corporation, with occupancy planned for 1992. Council further approved that such capital expenditures be financed by debentures having a term not exceeding 10 years and in an amount of $210,760,000 less the total of amounts available in the Reserve Fund for Capital Costs of Metro Hall.

The Reserve Fund for Capital Costs of Metro Hall was created by Metropolitan Council in 1987. During 1987, 1988 and 1989 the sums of $15,000,000, $30,000,000 and $30,000,000 respectively were transferred to the Reserve Fund from current operations. The 1990 Operating Budget contains a provision for an additional contribution of $30,000,000.

As at December 31, 1989, capital costs of $64,419,000 had been expended and had been fully financed by the Reserve Fund. The balance of the Reserve Fund was $11,301,000 as at December 31, 1989 (1988 - $43,905,000).

13. COMPARATIVE FIGURES

Certain of the 1988 figures presented here for comparative purposes have been reclassified to conform with the current year's presentation.

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF CURRENT OPERATIONS
YEAR ENDED DECEMBER 31, 1989

dollars in thousands

	1989	1988
Surplus at beginning of year	$ 33,164	$ 57,713
Revenue		
Taxation and user charges		
Requisition on local municipalities	2,515,353	2,143,192
Less school board requisition	(1,633,238)	(1,379,891)
User charges	337,255	256,869
Grants		
Government of Canada	2,127	1,649
Province of Ontario	721,236	646,437
Other municipalities	2,121	2,017
Other		
Investment income	22,894	19,629
Fines	52,992	42,730
Contributions from reserves and reserve funds	32,230	15,363
Other	27,368	36,237
	2,080,338	1,784,232
Expenditure		
General government	154,724	135,292
Protection to persons and property	475,816	439,767
Transportation services	280,183	269,238
Environmental services	295,879	224,782
Health services	60,283	55,062
Social and family services	681,984	581,240
Recreation and cultural services	94,400	90,293
Planning and development	15,073	13,107
	2,058,342	1,808,781
Surplus at end of year	$ 55,160	$ 33,164

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF CAPITAL OPERATIONS
YEAR ENDED DECEMBER 31, 1989

dollars in thousands

	1989	1988
(Capital operations not yet permanently financed) Unexpended capital financing at beginning of year	**$(72,486)**	**$ 6,388**
Financing		
Contributions from current operations	89,628	85,386
Contributions from reserves and reserve funds	103,765	25,204
Long term liabilities incurred	78,126	32,400
Ontario grants	116,475	117,536
Other	51,242	25,514
	439,236	286,040
Expenditure		
General government	19,236	60,761
Protection to persons and property	28,149	31,693
Transportation services	174,305	154,472
Environmental services	104,472	76,808
Health services	6,298	6,414
Social and family services	15,241	15,378
Recreation and cultural services	22,789	19,189
Planning and development	143	199
	370,633	364,914
(Capital operations not yet permanently financed) at end of year	**$ (3,883)**	**$ (72,486)**

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF RESERVES AND RESERVE FUNDS
YEAR ENDED DECEMBER 31, 1989

dollars in thousands

	1989	1988
Balance at beginning of year	$238,130	$146,902
Revenue		
Contributions from current operations	166,268	120,460
Interest earned	25,866	11,335
Contributions from others		59,204
	192,134	131,795
Expenditure		
Transfers to current operations	32,230	15,363
Transfers to capital operations	103,765	25,204
	135,995	40,567
Balance at end of year	$294,269	$238,130

METROPOLITAN TORONTO WATERWORKS SYSTEM

1989

THE MUNICIPALITY OF METROPOLITAN TORONTO 1953

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department
7th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1
Telephone: (416) 392-8030
Fax: (416) 392-3754

Allan G. Andrews, C.A., *Metropolitan Auditor*

April 30, 1990

AUDITOR'S REPORT

**The Chairman and Members of the
Metropolitan Council of the
Municipality of Metropolitan Toronto**

I have examined the balance sheet of the Metropolitan Toronto Waterworks System as at December 31, 1989 and the statements of current operations, capital operations, and reserves for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Metropolitan Toronto Waterworks System as at December 31, 1989 and the results of its operations in accordance with generally accepted accounting principles for Ontario municipalities applied on a basis consistent with that of the preceding year.

METROPOLITAN AUDITOR

METROPOLITAN TORONTO WATERWORKS SYSTEM

BALANCE SHEET
DECEMBER 31, 1989

ASSETS	1989	1988
Current assets		
Funds on deposit with the Municipality of Metropolitan Toronto	$ 8,071	$ 28,247
Accounts receivable (note 3)	23,334	14,525
Inventories	801	1,127
Other	559	546
	32,765	44,445
Capital outlay financed by long term liabilities and to be recovered in future years	32,607	41,215
	$ 65,372	$ 85,660

see accompanying notes

dollars in thousands

LIABILITIES AND FUND BALANCES	1989	1988
Current liabilities		
Due to Municipality of Metropolitan Toronto (note 6)	$ 4,532	$ 7,864
Accounts payable and accrued liabilities	9,594	6,672
Other (note 3)	4,296	3,177
	18,422	17,713
Net long term liabilities (note 7)	32,607	41,215
Fund balances at end of year		
(Capital operations not yet permanently financed) Unexpended capital financing	(4,109)	4,462
Reserves (note 9)	18,452	22,270
	$ 65,372	$ 85,660

METROPOLITAN TORONTO WATERWORKS SYSTEM

STATEMENT OF CURRENT OPERATIONS
YEAR ENDED DECEMBER 31, 1989

	dollars in thousands	
	1989	1988
Revenue		
Sale of water	$ 76,578	$ 73,282
Investment income	2,122	2,852
Sale of land	21	3,313
Other	415	398
	79,136	79,845
Expenditure		
Water supply	14,830	14,419
Power and pumping	19,094	18,000
Water transmission and distribution	4,592	4,042
Administration	18,508	16,537
	57,024	52,998
Principal payments and interest charges on long term debt (note 8)	13,699	15,414
Capital expenditures from current revenue	3,881	569
	74,604	68,981
Net revenue for the year	4,532	10,864
Transfer to reserves	-	(3,000)
Transfer to Municipality of Metropolitan Toronto (note 6)	(4,532)	(7,864)
Accumulated net revenue, end of year	$ -	$ -

see accompanying notes

METROPOLITAN TORONTO WATERWORKS SYSTEM

STATEMENT OF CAPITAL OPERATIONS
YEAR ENDED DECEMBER 31, 1989

	dollars in thousands	
	1989	1988
Unexpended capital financing at beginning of year	$ 4,462	$ 14,293
Financing		
Contributions from current operations	3,881	569
Contributions from reserve	3,818	104
Ontario grants	3,243	945
Surplus sinking fund monies	3,078	2,252
Contributions from other municipalities	5,048	-
	19,068	3,870
Expenditure	27,639	13,701
(Capital operations not yet permanently financed) Unexpended capital financing at end of year	$ (4,109)	$ 4,462

see accompanying notes

METROPOLITAN TORONTO WATERWORKS SYSTEM

STATEMENT OF RESERVES
YEAR ENDED DECEMBER 31, 1989

	dollars in thousands	
	1989	**1988**
Balance at beginning of year	**$ 22,270**	**$ 19,365**
Revenue		
Contributions from current operations	-	3,000
Other	-	9
	-	3,009
Expenditure		
Transfers to capital operations	3,818	104
Balance at end of year	**$ 18,452**	**$ 22,270**

see accompanying notes

METROPOLITAN TORONTO WATERWORKS SYSTEM

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1989

1. FINANCIAL ADMINISTRATION

The Municipality of Metropolitan Toronto Act requires the Waterworks System to be self-sustaining. The Act, as amended, also permits the use of waterworks system surplus funds for the financing of water pollution control works.

The revenues, expenditures, assets and liabilities of the System are accounted for separately from the operations of the Municipality. For administrative convenience, staff of the System are employed by the Municipality, but all employee costs are charged directly to the System. The Municipality also provides working capital, temporary funding for capital works and issues debentures on behalf of the System if or when required. Debt servicing requirements of these debentures are repaid by the System to the Municipality and charged against operating revenues of the System.

2. ACCOUNTING POLICIES

(a) Revenue and expenditure recognition

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Charges for long term liabilities

Revenues and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they are paid.

(c) Fixed assets

The historical cost and accumulated depreciation of fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Statement of Current Operations in the year of acquisition.

(d) Capital outlay financed by long term liabilities and to be recovered in future years

"Capital outlay financed by long term liabilities and to be recovered in future years", as reported on the Balance Sheet, represents the outstanding principal portion of unmatured long term liabilities for capital expenditures.

(e) **Liabilities payable in foreign currencies**

Long term debt payable in foreign currencies has been translated into Canadian funds at the exchange rate prevailing at December 31, 1989.

(f) **Inventories**

Inventories are valued on the first-in, first-out basis.

3. SINKING FUNDS SURPLUS MONIES

The Sinking fund balances reflected in the value of net long term liabilities at the end of the year do not include specific accumulations at that date in excess of the total related debt. These accumulations amounting to $4,296,000 in 1989 (1988 - $3,177,000) are subject to a decision of The Metropolitan Council as to their use for either capital or current purposes. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Balance Sheet under "Other Current Liabilities".

4. PENSION AGREEMENTS

(a) **Ontario Municipal Employees Retirement Fund**

The Metropolitan Waterworks System contributes to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of approximately 300 members (76%) of its staff. This plan is a defined benefit plan and specifies the amount of the retirement benefit to be received by the employees based on length of service and final average earnings.

The amount contributed to OMERS for current service in 1989 was $607,000 (1988 - $544,000) and is included as an expenditure on the Statement of Current Operations.

The latest actuarial valuation conducted at January 1, 1989, indicates that OMERS is in sound financial condition and that current member and employer contribution rates appear sufficient to fund future benefits.

(b) **Metropolitan Toronto Pension Fund**

The Metropolitan Waterworks System also participates in the Metropolitan Toronto Pension Fund that provides pensions based on length of service and final average earnings.

The amount contributed to this plan for current service in 1989 was $174,000 (1988 - $191,000) and is included as an expenditure on the Statement of Current Operations.

Actuarial estimates indicate that, based on projections of employees' compensation levels to time of retirement, the present value of the unfunded obligations for pension benefits relating to past service was $138,000 as

at December 31, 1989 (1988 - $624,000). This balance is being funded by equal annual instalments of $46,000 over the period 1990 to 1992.

No provision has been made in the accounts for this obligation and the expense is recorded as funded annually. Expenditure for past service of $156,000 was made in 1989 (1988 - $155,000) and is reported on the Statement of Current Operations.

5. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the employment of the Metropolitan Waterworks System.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to $1,888,000 (1988 - $1,972,000) at the end of the year. An amount of $293,000 (1988 - $176,000) was paid to employees who left the employment of the System during the current year.

In order to provide for this past service liability the Metropolitan Waterworks System participates in a Corporate Sick Pay Reserve Fund established by the Municipality of Metropolitan Toronto for this purpose. Contributions to this reserve fund are based on amounts deemed to be sufficient to provide for anticipated payments over a given period of time and will amount to $108,000 annually over the next nine years.

During 1989, the contributions to the reserve fund by the Metropolitan Waterworks System amounted to $77,000. At December 31, 1989, the balance of the Corporate Sick Pay Reserve Fund was $9,752,000 (1988 - $11,241,000).

Anticipated payments over the next five years to employees of the System who are eligible to retire are as follows:

1990	$110,000
1991	105,000
1992	121,000
1993	124,000
1994	138,000

6. TRANSFER OF ACCUMULATED NET REVENUE

Metropolitan Council approved the transfer of the balance of accumulated net revenue at the credit of the System to a Reserve Fund for Water Pollution Control Measures, under the jurisdiction of the Municipality of Metropolitan Toronto, to be applied to expedite and finance water pollution projects identified in annual budget reviews. The level of this Reserve Fund and future transfers of water supply surplus funds will be subject to ongoing review by Metropolitan Council. At the end of the year, accumulated net revenue amounting to $4,532,000 (1988 - $7,864,000) was transferred to the Reserve Fund.

7. NET LONG TERM LIABILITIES

(a) The net long term liabilities reported on the Balance Sheet are made up of the following:

	dollars in thousands	
	1989	1988
Principal amount of long term liabilities outstanding	$113,208	$122,388
Less value of sinking funds accumulated to retire outstanding long term liabilities	80,601	81,173
Net long term liabilities	$ 32,607	$ 41,215

(b) Net long term liabilities - future redemption

Principal payments of the net long term liabilities reported in (a) of this note are as follows:

	dollars in thousands
1990 to 1994	$11,033
1995 to 1999	7,403
2000 and thereafter	108
	$18,544

The difference between the total of principal redemption indicated above ($18,544,000) and the total of net long term liabilities reported in note 7 (a) ($32,607,000) is related to the following two factors:

(i) Long term liabilities payable in U.S. funds reported in note (a) have been translated into Canadian funds at the exchange rate prevailing at December 31, 1989, whereas the projections of principal redemption above are based on $1 US = $1 Canadian.

(ii) The projections of principal redemption indicated above are based on the premise that actuarial sinking fund deposits (in respect of sinking fund debentures) will earn interest, capitalized yearly thereon, at a rate not exceeding 8% and which will be sufficient to repay such debentures in full at maturity.

(c) **Translation of net long term liabilities payable in foreign currencies**

Included in "Net long term liabilities" on the Balance Sheet and translated into Canadian funds at the rate of exchange prevailing at December 31, 1989 is an amount of US$19,231,000 (1988 - US$24,064,000), the translated value of which amounts to Cndn$22,266,000 (1988 - Cndn$28,697,000).

8. CHARGES FOR NET LONG TERM LIABILITIES

Total charges for the year for net long term liabilities which are reported on the Statement of Current Operations are as follows:

	dollars in thousands	
	1989	1988
Principal payments including contributions to sinking funds	$ 2,657	$ 4,477
Interest	11,042	11,985
	13,699	16,462
Less surplus sinking funds applied	-	1,048
	$13,699	$15,414

9. RESERVES

The total balance of $18,452,000 (1988 - $22,270,000) is made up of the following:

	dollars in thousands	
	1989	1988
Exchange stabilization	$ 628	$ 628
Capital financing stabilization	7,824	11,642
Water rates stabilization	10,000	10,000
	$18,452	$22,270

a) **Capital financing stabilization reserve**

A Capital Financing Stabilization Reserve has been established to stabilize current fund contributions for capital expenditure. The present policy of Council for financing capital expenditures net of external financing and surplus sinking fund monies is to provide up to 50 per cent of the required financing by an annual provision in the operating budget, the balance being provided from debenture proceeds. If such annual provision produces funds greater or lesser than the foregoing guideline, such difference is transferred to or from the Reserve.

b) **Reserve for stabilization of water rates**

Metropolitan Council approved the creation of a Reserve for Stabilization of Water Rates for the purpose of absorbing any future potential loss which could be experienced under extremes of adverse weather or operating conditions.